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The Netherlands: The Center-Right Under Fire

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Summary

The 21 May Dutch parliamentary election will be a referendum on the Lubbers government's economic and foreign policy, especially its efforts to cut back the bloated public sector and last year's decision to accept INF deployment.

--Opinion polls and recent municipal elections indicate that the Christian Democratic-Liberal coalition has only an even chance of retaining its parliamentary majority, partly because of the Liberals' sharp plunge in popularity and because the Chernobyl nuclear accident has given a boost to the anti-nuclear Labor Party.

--We think the center-right government will do well enough to stay in power, but Prime Minister Lubbers probably will need the support of other small parties to shore up his position.

--A renewed Christian Democratic-Liberal coalition would increase the likelihood of INF basing in the Netherlands, but would not constitute an absolute guarantee. The Dutch are not scheduled to deploy cruise missiles until 1988, leaving ample time for new events--such as an attractive Soviet arms control offer--to emerge as an excuse for delay.

If the Labor Party is the big winner in the election, a Christian Democratic-Labor coalition will be difficult to avoid. Such a government--which is likely to be highly unstable because of severe differences between Christian Democrats and Laborites over

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Office of European Analysis.

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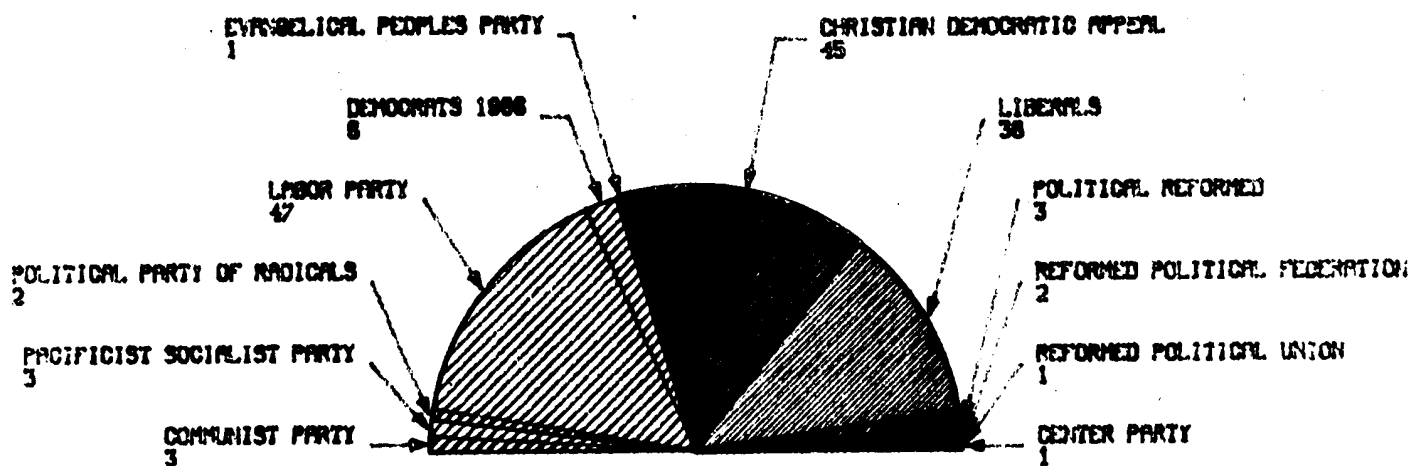
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NETHERLANDS: CURRENT PARLIAMENTARY STRENGTH
IN SECOND CHAMBER (NUMBER OF SEATS)



GOVERNMENT PARTIES: CHRISTIAN DEMOCRATS (45)
LIBERALS (38)

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[redacted]

economic and defense policy--would be much more critical of US policy than the current administration, and most importantly, could pose a serious threat to INF deployment. Although Prime Minister Lubbers, who is likely to head a Christian Democratic-Labor government, almost certainly would be able to fend off pressure for unilateral abrogation of the US-Dutch INF basing accord, he might be forced to ask Washington for renegotiation of parts of the agreement, particularly those relating to command and control. [redacted]

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Issues and Personalities

Economic Performance and the Welfare State

The Lubbers government is entering the election with a solid record of economic achievement. Inflation is at its lowest level in decades, the public sector deficit as a percentage of gross domestic product has shrunk to about 6 percent from nearly 9 percent in 1983, consumption and investment are rising, and economic forecasters predict 2.5 percent growth in real GDP for 1986. Nevertheless, the government may not reap many political benefits from the relatively favorable economic situation. The unemployment rate--even though it is beginning to fall--is still 15 percent and even higher among young people. The opposition Labor Party concedes the need for cutting the budget deficit, but has made the extent of the cuts in social welfare programs a major election issue. To win the votes of the unemployed, Labor has promised fiscal stimulation, training programs, and "job sharing" through shortening the workweek--measures opposed by the Christian Democrats and Liberals. [redacted]

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Labor also hopes to gain the allegiance of civil servants and welfare recipients by opposing government proposals for reforms in the social security and salary system that would trim welfare benefits and freeze public sector pay. More than one-third of the Dutch labor force is either employed in the public sector or receives welfare benefits. Scaling back the welfare state may be unpopular even with voters who derive no benefit from it because income equalization has become an integral part of the Dutch social ethic. [redacted]

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The government's efforts to compensate for the expected \$3.5 billion decline in the government's 1987 natural gas revenues are also a major focus of election rhetoric. According to the US Embassy, Prime Minister Lubbers tried to forestall electoral damage to his Christian Democratic Party by suggesting that new budget cuts should center on subsidies for private business. The

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The Netherlands: Selected Economic Indicators

	Percent Change in Volume Terms					
	1981	1982	1983	1984	1985	1986 ^a
GDP	-0.7	-1.7	1.3	1.7	2.0	2.0-2.5
Private Consumption	-2.5	-1.2	0.5	-0.5	1.4	2.6
Public Consumption	2.0	0.6	1.0	-1.5	0.3	0.2
Gross Fixed Investment	-10.4	-4.1	0.5	4.5	2.6	2.9
Exports of Goods and Services	3.4	0	2.1	6.5	4.1	3.5
Imports of Goods and Services	-3.1	1.3	1.2	5.8	3.9	3.9
Public Sector Deficit as Percent of GDP	5.8	7.3	8.0	7.6	5.5	6.5
Consumer Price Index	6.7	5.9	2.8	3.3	2.5	1.5
Unemployment Rate	10.7	14.2	17.0	17.2	15.5	15.0

^aProjected

Source: IMF Data

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Liberals, however, whose constituents are concentrated among businessmen and private sector professionals, rejected Lubbers' proposal arguing that cuts should be made in other areas of government spending. The cabinet finally reached a compromise which calls for a mixture of spending cuts and "temporary" tax increases, including reductions in business tax deductions. These measures will be unpopular with some voters--the Labor Party and other leftist organizations are emphasizing the impact of the cuts on low-income groups--but the government's willingness to tackle a politically sensitive issue before the election also could help boost its image of competence and strong leadership.

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INF Deployment and Foreign Policy Issues

Labor opposition leaders have told US officials they will make INF a principal election issue, but we think their hopes to capitalize on anti-cruise missile sentiment may be exaggerated. Public opinion polls suggest that the government's November decision to go ahead with cruise missile deployment in 1988 did little damage to its electoral standing and that the importance of INF as a public issue may be declining. Although polls show that a majority of Dutchmen continue to oppose INF deployment, a recent survey revealed that "disarmament" was no longer among the top policy issues for voters. Parliamentary ratification of the US-Dutch INF basing agreement in March and the government's announcement that it will start awarding contracts for construction at the Woensdrecht missile site also drew relatively little media attention. To compensate for waning popular interest in INF, the Labor Party is playing up the politically sensitive chemical weapons issue. We think Labor also will benefit from the Soviet nuclear reactor accident, which has revived domestic debate on nuclear energy.

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South Africa, Central America, and the recent US military action against Libya are peripheral issues which could affect election outcomes at the margin. Leftist groups have been demanding tougher sanctions against Pretoria, and Foreign Minister van den Broek's defense of Dutch investment in South Africa could hurt the Christian Democrats. However, van den Broek's recent visit to Central America to help revive the stalled Contadora peace talks and his criticism of US policy toward Nicaragua are likely to offset potential voter losses over South Africa. The government probably also will benefit from the prestige and media exposure connected with holding the EC presidency and attendance at the Tokyo economic summit. Prime Minister Lubbers' criticism of the US airstrikes against Tripoli

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[redacted]

and his statement that "Europe will not unthinkingly follow the United States on the Libyan issue" is likely to sit well with Dutch voters, especially when combined with The Hague's active promotion of EC counterterrorism cooperation as an alternative to military retaliation. [redacted]

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Social Issues

The Christian Democrats are trying to compensate for potential vote losses on "pocket book" issues by emphasizing law and order, such as stricter drug enforcement, and traditional moral concerns, such as abortion. Even though the Christian Democrats may be able to mobilize some voters on these issues, their Liberal partners may be hurt by the intra-coalition squabbling over euthanasia. The Liberals are supporting a bill sponsored by the left-of-center Democrats 66 Party (D'66), which calls for legalization of euthanasia in exceptional circumstances. Christian Democratic opposition forced the Liberals to postpone consideration of the legislation, a development the US Embassy reports may damage Liberal standing with secular voters. [redacted]

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The Personality Factor

The personal standing of Dutch politicians may be more important in the election outcome this year than in the past. The election in large measure will be a contest between Prime Minister Ruud Lubbers and Labor leader Joop den Uyl. The Labor Party may have made a mistake in choosing the aging den Uyl to lead them into elections for the sixth time instead of Wim Kok, the ambitious former union federation chief whose popularity is much greater. Polls indicate that voters asked to choose between the dynamic Lubbers and the didactic den Uyl probably will back the former.* [redacted]

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*Den Uyl apparently recognizes this problem, and recently hinted he will step down as Labor leader in favor of Kok sometime after the election, even if Labor reenters the government. If Labor does join a coalition, we doubt that den Uyl will stick to this resolution. [redacted]

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A Tough Battle

Public opinion surveys and recent municipal elections indicate that the government faces a tough battle to retain its majority in parliament. The latest polls predict the coalition would get only 72 seats (Christian Democrats and Liberals) in the 150 member second chamber of parliament and the Labor Party--already the largest opposition party--58 seats. The 19 March municipal elections underscored the coalition's vulnerability. The Christian Democrats received 31 percent of the vote--just slightly below what they got in the last local elections in 1982--but the Liberals' support dropped from 23 percent to 19 percent. The big winner was the Labor Party, which recovered from a poor showing four years ago and took 32 percent of the vote. If these changes were exactly reproduced in May, the government would see its current four-seat majority reduced to only one. We are skeptical that this year's municipal election results are as reliable a predictor of the parliamentary election as they were in 1982; this year for the first time foreigners were allowed to vote in local elections while they still do not vote in national contests. []

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The government's reelection prospects are threatened less by the Labor Party than by the Liberals' sharp drop in voter appeal. Part of the Liberals' troubles stem from the fact that the "fickle" young--whose enthusiasm for youthful leader Ed Nijpels gave the Liberals a record number of parliamentary seats in 1982--are turning to other parties. The Liberals also are suffering from their leader's political inexperience and accusations of scandal. Economics Minister van Aardenne, for example, was accused last year of alleged improprieties in handing out state aid and in the proposed siting of a nuclear plant. Finally, Liberal electoral difficulties also result from the fact that the Christian Democrats are regaining voters which had deserted to the Liberals because of displeasure over the party's economic policies.* []

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*Although we have no data on which parties disaffected Liberals are choosing, we believe most of them are turning to the Christian Democrats, D'66 and Labor. []

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Alternative Election Outcomes

The almost equal standing of the government and opposition parties in opinion polls makes it very difficult to predict election outcomes and the makeup of the next coalition. On balance, we believe voters will return the Christian Democratic-Liberal coalition to power, largely out of concern that a center-left alternative would be highly unstable. Prime Minister Lubbers already has emphasized his preference for a continued partnership with the Liberals--a choice that is supported by the Christian Democratic rank-and-file. According to a recent poll, 70 percent of Christian Democratic voters favored a renewed center-right coalition while only 28 percent wanted a partnership with Labor. []

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If the Christian Democrats and Liberals receive either a tiny majority or slightly less than a majority of seats in the second chamber--between 70 and 75 seats--we believe they probably will first try to enlist support from the small left-of-center D'66 Party. We think D'66 will be the first choice as a partner because Dutch politicians from major parties have traditionally preferred to deal with a single partner rather than with several small parties and because the Christian Democrats, in particular, would feel safer if a left-of-center party shared responsibility for budget cuts, wage restraint, and ultimately for INF deployment. Although D'66 is ideologically closer to the Labor Party, we think leader Hans van Mierlo would agree to a partnership with the Christian Democrats and Liberals in exchange for concessions on economic and social issues, such as higher expenditures for low-income groups. []

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If D'66 refuses to collaborate with the Christian Democrats and Liberals, Prime Minister Lubbers probably will turn to the small rightwing religious parties--such as the Reformed Political Federation or the Reformed Union--that are likely to win about 9 seats. While these parties are basically in tune with the current government on economic and defense policies, they probably would not consider a coalition with the Christian Democrats and Liberals if the latter continue to press for legalization of euthanasia--a policy morally unacceptable to the small confessional parties. []

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If the center-right total falls below 70 seats, the Christian Democrats will find it very difficult to avoid a coalition with Labor. As the short-lived van Agt government (1981-82) demonstrated, a Christian Democratic Labor government is likely

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to be highly unstable. Although the Labor Party is paying lip service to the need for structural economic reform, many Christian Democrats have told US officials that they think Labor is incapable of making the tough choices needed to keep the economic recovery going. Tensions in a Christian Democratic-Labor government over economic policy would be aggravated by severe disagreements over security issues, notably INF. [redacted]

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The least likely election outcome, we believe, is a so-called "progressive bloc" of Labor and all leftwing parties. Although leftist parties in the past toyed with the idea of an all-socialist government, they almost certainly would not get the requisite number of seats in parliament. Even if they did, we think the Dutch left is too divided to reach a coalition agreement. The Labor Party, for example, probably would continue to refuse to cooperate with the Communists.* [redacted]

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Implications of Election Outcomes for INF

If the new government includes either Labor or D'66, pressures to revise or even cancel the Dutch INF decision are likely to grow. We agree, however, with the US Embassy that a Christian Democrat-Liberal-D'66 coalition would threaten cruise missile deployment less than a coalition which includes the Labor Party. Although D'66 opposed INF in the past, a recent party congress decided not to demand cancellation of the US-Dutch basing accord once it was approved by parliament. D'66 leaders, however, made clear that they would try to renegotiate parts of the INF agreement with Washington.

--D'66 acquiescence in INF will continue to depend on the personal views of party leader van Mierlo.

--The party relies on him to restore lost popularity and appears ready to go along with his views on INF. Should van Mierlo become more hostile to deployment, D'66 would

*The possibility that the Christian Democrats and the Liberals would form a minority government is small, partly because there are few precedents for such an arrangement. Moreover, unless the center-right total falls barely short of a majority--and the Christian Democrats and Liberals receive informal support from small parties--a minority government would not be able to implement its programs because the leftist opposition almost certainly would block major policy initiatives. [redacted]

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quickly reverse its more accommodating stand. []

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If Labor returns to government, party leaders undoubtedly would initially try to make good on pledges to leftwing activists and call for reversal of the INF basing agreement. The Christian Democrats would reject demands for unilateral abrogation of the basing accord, but we believe leftwing Christian Democrats might support renegotiation of the agreement, especially on questions of command and control of cruise missiles. Although most leftwing Christian Democrats have not openly challenged the party leadership's position that Dutch sharing in the control of INF missiles is unnecessary, [] there remains considerable sympathy for "dual key" control of INF based in the Netherlands.* Defense Minister De Ruiter, for example, has consistently argued for a more explicit Dutch role in command and control. []

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Prime Minister Lubbers--the likely head of a Christian Democratic-Labor coalition--almost certainly would try to fend off leftist pressure for renegotiation of the US-Dutch agreement--offering concessions on some social and economic issues--such as less severe cutbacks in the welfare state-- but we doubt that Labor could ever be induced to endorse deployment unconditionally. Labor's current identity is tied too closely to opposition to INF. If forced to govern with the Labor Party, Lubbers might ask Washington to agree to some change in the agreement--for example, reducing the time after which the INF accord can be reviewed from five years to a shorter period. Lubbers might also try to deflect pressure to backtrack on deployment by agreeing to review the decision if the Soviet SS-20 total dropped below 378--the ceiling Lubbers set in 1984 as a condition for foregoing deployment in the Netherlands. If Washington refused to make concessions, Lubbers might try to placate Labor and the left wing of his own party by demanding a further reduction in the Netherlands' NATO nuclear roles or by stalling on the implementation of the cruise missile agreement.

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*In fact, a recent opinion poll showed that 63 percent of the respondents believed the Dutch government should have the right to veto the use of cruise missiles based in the Netherlands. Not surprisingly support for "dual key" was strongest among Labor voters, but 52 percent of Christian Democratic partisans and 48 of Liberal supporters also favored a veto. []

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Alternatively, Lubbers might try to win support from the Christian Democratic leadership for withdrawing from the coalition with Labor--before actual INF deployment in 1988--and calling for a new election by emphasizing Labor's inflexibility and anti-NATO stance. Lubbers presumably would calculate that a new election could return the Christian Democrats and Liberals to power because of the voters' realization that center-left coalitions are inherently unstable. [REDACTED]

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Arms Control

We believe INF deployment is not completely certain even if the present center-right coalition is reelected. An attractive Soviet arms control proposal, for example, always has the potential to revive anti-INF sentiment among leftwing Christian Democrats--who may again hold the balance of power in parliament if the center-right returns with only a small majority--and increase public pressure on the government to delay cruise missile deployment. [REDACTED]

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The Hague's reaction to Gorbachev's most recent proposals so far has been cautious. The government, according to US Embassy reports, is aware of Moscow's public relations skills and attempts to divide the Alliance, but at the same time it has emphasized that new elements in the Soviets' position deserve careful analysis in NATO forums. Although parliament has ratified the US-Dutch basing agreement, we believe Lubbers continues to hope for an interim accord on INF before 1988 which could make cruise missile deployment in the Netherlands unnecessary. While Moscow's misleading statements about the Chernobyl accident have probably increased Dutch doubts about Soviet credibility, we doubt this will have much impact on arms control perspectives. If the Soviets hinted that new concessions might be forthcoming, Lubbers might consider delaying completion of the Woensdrecht INF basing site. The Dutch government, in our view, also is unlikely to sign an SDI accord with the United States in the near future, partly for fear that such an agreement would hamper progress in INF negotiations. [REDACTED]

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Under any government, support for US initiatives such as INF deployment in the Netherlands depends in part on Dutch perceptions of US arms control efforts. If the Dutch believe, for example, that US insistence on stricter verification procedures prevents progress in Geneva or that Washington intends to exceed the limits set by the SALT II and ABM treaties, this could lead leftwing Christian Democrats to charge that the United States continues to place greater emphasis on a military buildup

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than on arms control. If Washington took further military action against Tripoli from US bases in Europe, parliamentary and popular opposition to cruise missile deployment and to retention of Dutch nuclear assignments in NATO would probably become more vocal again. The recent US airstrikes already prompted renewed, albeit limited, discussion in parliament of Dutch control over US missiles. []

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Other Foreign Policy Matters

Dutch foreign and defense policy in a renewed center-right coalition is likely to be characterized by continuity. It almost certainly will continue to emphasize the need for Alliance unity and a strong Western defense--particularly in conventional weapons. A Christian Democratic-Labor government, on the other hand, not only would give East-West detente priority over deterrence, but also would be much more critical of US policy, especially in Third World troublespots. In a center-left coalition, Christian Democratic Foreign Minister van den Broek, who generally has been supportive of the United States, probably would be replaced by a Laborite. There has been some speculation that Laborites Wim Kok or Marcel van Dam might takeover the foreign affairs portfolio. Both lack foreign policy experience and probably would be very susceptible to pressures from Labor's left wing. []

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Defense

Other aspects of the Dutch commitment to NATO apart from INF could be troublesome for the next government. A Christian Democratic-Liberal coalition would do what it could to enhance conventional forces, but the expected steep decline in natural gas revenues sharply reduces the likelihood of Dutch compliance with NATO's target of three percent real increases in annual defense spending. A government which includes Labor, in our view, would not even consider increasing defense expenditures, arguing that social programs--particularly those directed at fighting unemployment--take priority. We are also skeptical the Christian Democrats would argue forcefully against this view. []

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Neither a center-right nor a center-left government would accept US binary weapons on Dutch soil in peacetime, given the political sensitivity of the chemical weapons issue. However, a Christian Democratic-Liberal coalition, unlike one that includes Labor or D'66, might accept US chemical weapons in a crisis situation or wartime. Dutch Defense Minister de Ruiter in a

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recent statement to the press reaffirmed his government's opposition to chemical weapons, but left open--we think deliberately--wartime deployment. []

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Although the current government will cancel two of the Netherlands' nuclear roles in NATO--the F-16 and the Orion--as the price for INF deployment, a reelected center-right coalition probably would try to live up to its promise not to abandon these two tasks if an arms control agreement made Dutch cruise missile basing unnecessary. A government which includes Labor not only would refuse to take back the abandoned nuclear roles, but probably would press for cancellation of the Netherlands' remaining nuclear tasks, particularly nuclear artillery. A center-left government almost certainly also would oppose NATO options such as first use of nuclear weapons, or plans to conduct deep strikes into Eastern Europe which have been criticized for being overly aggressive. In our view, the best the Christian Democrats in a center-left coalition would do is trade conventional defense cuts and possibly even INF for maintenance of other NATO nuclear assignments. []

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Central America

In our view, US policy toward Nicaragua would come in for criticism by either a center-right or center-left government. Prime Minister Lubbers and prominent Labor leaders have said repeatedly that US economic sanctions against Managua and support for the Nicaraguan rebels provide the Sandinistas with an excuse for failing to move toward democracy and delaying a regional peace settlement. We think a center-left coalition would express its displeasure with US policy publicly while a reelected center-right government would take a more discreet approach. []

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Suriname

A belief that economic inducements may be more helpful in fostering democracy than sanctions could prompt a renewed Christian Democratic-Liberal coalition to resume development aid to Suriname, though such a step would be controversial. According to Dutch officials, Surinamese leader Bouterse--whose execution of political opponents prompted the cutoff of Dutch aid in 1982-- has indicated willingness to undertake democratic reforms in exchange for economic aid. A center-left coalition, which is likely to take an even stronger stand on human rights than the current administration, probably would not restore aid to Paramaribo until the Bouterse regime has made significant

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progress toward political liberalization. In general, we think a coalition that includes Labor would be skeptical about arguments that development assistance should be used in a carrot and stick manner, especially against leftist regimes. [REDACTED]

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Middle East

There would be few policy differences between a center-right and a center-left coalition on Middle Eastern issues. Both governments would demand that Washington address the Palestinian issue which they consider the underlying cause of Middle Eastern and Libyan-sponsored terrorism. Although neither government would support further military action against Tripoli, we think both would implement EC decisions to restrain Qadhafi through non-military methods. A Dutch government of whatever stripe is unlikely to go beyond an EC consensus on economic sanctions. [REDACTED]

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